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December 12, 2007

Jennifer J. Johnson  
Secretary, Board of Governors of the Federal Reserve System  
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Department of the Treasury  
Office of Critical Infrastructure  
Protection and Compliance Policy  
Room 137  
Main Treasury Building  
1500 Pennsylvania Avenue  
Washington, D.C. 20220

Re : FRB Docket Number R-1298  
Treasury Docket Number Treas-DO-2007-0015

Dear Sir and Madam:

SunTrust Banks, Inc. ("SunTrust") submits this letter in response to the agencies' request for public comment on proposed Regulation GG (12 CFR 233 and 31 CFR 132), published in the Federal Register on October 4, 2007.

Headquartered in Atlanta, SunTrust is one of the nation's largest bank holding companies, with consolidated assets of \$176 billion and deposits of \$123 billion. Its primary subsidiary, SunTrust Bank, operates more than 1,600 branch offices in eleven Southeastern and Mid-Atlantic states and provides a full range of retail, commercial, corporate and trust banking services. SunTrust also has operating subsidiaries engaged in mortgage banking, investment management, commercial leasing, investment banking and retail investment sales, among other things.

As a preliminary matter, we believe that the comment period on this proposal should be extended to allow the public to more fully evaluate its impact. If implemented, this regulation would have significant implications for many aspects of the banking system, and more time is needed to consider the details of the proposal and how it could be put into practice. We also encourage the agencies to participate in public and industry meetings to more fully explain the proposal, as the level of understanding and awareness of this proposal does not appear to be commensurate with its potential impact.

For the reasons discussed below, we believe the proposal is seriously flawed and would result in significant new regulatory burdens for banks while still not achieving the objectives of the underlying statute.

Ambiguous Definitions:

The proposal leaves important terms poorly defined. In particular, we are concerned about lack of a clear definition of what constitutes “unlawful internet gambling”. The proposal essentially references applicable federal, state or tribal laws, and leaves it to the individual institution to research these laws and determine their applicability to a particular set of facts. Similarly, the proposal does not provide guidance on jurisdictional questions. For example, if a transaction is originated by a customer in a state in which the activity would be legal, but is processed by the bank in a state in which it is illegal, is the transaction restricted? Again, banks are left to their own devices to resolve such questions. Not only does this impose an unreasonable burden on institutions, it virtually assures inconsistent application of the rules among different banks.

Reliance on Payment System Codes:

The proposal would evidently place considerable reliance on the ability of certain payment systems, such as card systems and ACH systems, to automatically identify potential restricted transactions using codes such as the Merchant Category Code (MCC) or Standard Entry Class code (SEC). While in theory these codes could be useful in flagging and blocking transactions, in practice it would be relatively easy for entities to conceal the true nature of their activities by using different codes or commingling legitimate transactions with gambling transactions. Consequently, we question the practical value of an approach that relies on such a screen.

Reliance on Initial Due Diligence:

The guidelines for policies and procedures to be adopted by banks for various payment systems place emphasis on initial due diligence in the establishment of a banking relationship. While it would be relatively easy for banks to incorporate a screen in their new account opening procedures to identify whether the customer engages in illegal internet gambling transactions, it is highly unlikely that any customer would disclose such information to the bank. Again, the value of such a procedure seems dubious.

Flawed Analogy to AML Transaction Monitoring Requirements:

The proposed regulation would require banks in some instances to monitor, identify and affirmatively block transactions deemed to be restricted. The discussion in the release draws an analogy to banks’ existing transaction monitoring obligations under the Bank Secrecy Act and related anti-money laundering (AML) regulations. This analogy ignores an important distinction between the proposal and the existing AML rules. Whereas the AML rules require banks to monitor transactions, identify and investigate potential suspicious transactions and if necessary, file a Suspicious Activity Report, the current proposal would require banks, in real time, to identify and block apparent restricted transactions. There is a huge difference between the AML requirement to thoughtfully investigate and report suspicious transactions, and the proposed requirement to identify restricted transactions and interdict them in real time. This would require banks to make immediate decisions based on ambiguous legal requirements and often incomplete facts. The danger is that banks will either err on

the side of caution and block legitimate transactions, or will let transactions pass unless they are clearly restricted and in so doing incur excessive regulatory risk. This places on financial institutions an unreasonable law enforcement role that is at odds with their responsibility to efficiently, accurately and timely process large volumes of payments necessary for the smooth functioning of the whole economy.

List of Illegal Internet Gambling Operations:

The discussion accompanying the proposal indicates that the agencies considered but rejected the concept of distributing a federally-compiled list of entities engaged in illegal internet gambling. This could be administered in a manner similar to the existing OFAC listings of various categories of blocked individuals or entities. The advantages of such a centrally-administered process seem obvious: banks would have a single authoritative source of entities whose activities may fall under the scope of the law, and would either block all transactions with these entities or perform appropriate diligence in reviewing any transactions they wished to process. In either case, they would have a workable mechanism for managing their regulatory risk, and the regulation could be enforced much more consistently across different institutions.

The agencies apparently rejected this approach for many of the same reasons that we object to the proposed regulation; i.e., that it would require the responsible agency to research and interpret divergent gambling laws, that entities could change their names or conceal the nature of their activities, etc. We acknowledge the validity of these concerns but submit that it is preferable to have one government agency bear this burden rather than to require thousands of financial institutions to bear it individually (and with inconsistent results).

Implementation Period:

The discussion accompanying the proposal indicates that the agencies propose an effective date of six months from the issuance of the final regulation. This is far too short an implementation period for such a complex and far reaching regulation. Should a requirement similar to the proposal be adopted, banks would have to design, implement and test changes to a number of their payment processing and transaction monitoring systems. Extensive research on applicable federal, state and tribal gambling laws would be required. New policies and procedures would have to be developed around account opening and due diligence processes. Employees would have to be trained on these new requirements. Given the vast scope of the changes required, we believe that two years would be a far more realistic implementation period.

In summary, we believe that the regulation as proposed would create significant new compliance burdens for financial institutions without providing a commensurate public benefit consistent with the underlying statute. We urge the agencies to reconsider their position relative to the creation of a consolidated list of entities engaged in illegal internet gambling activities. We believe that this would be the most effective approach to implementing the requirements of the statute. We also recommend a more realistic implementation period than what has been proposed. Finally, we urge the agencies to extend the comment period and to foster more public discussion and understanding of the proposal before adopting a final regulation.

December 12, 2007

Page 4 of 4

We appreciate the opportunity to comment on this important proposal and would welcome the opportunity to discuss our views further.

Very truly yours,

John Ehrensperger  
Corporate Compliance Manager

cc: Mr. James Sproull  
Mr. Jorge Arrieta  
Mr. Stephen Foley, Federal Reserve Bank of Atlanta